



**Texas  
Independent  
Producers and  
Royalty Owners  
Association**

## **TIPRO President and Members Visit Cheniere LNG Export Facility, Port of Corpus Christi to Promote U.S. Energy Infrastructure**

Texas Independent Producers & Royalty Owners Association (TIPRO) President, Ed Longenecker, and member companies will visit Cheniere's liquified natural gas (LNG) export facility and the Port of Corpus Christi on Thursday, September 15 to promote the importance of domestic oil and natural gas production, energy infrastructure, and petroleum exports.

With access to abundant, affordable gas produced in Texas by TIPRO member companies, the Cheniere liquefaction facility is supplying the growing global energy demand for new sources of reliable, cleaner energy solutions. TIPRO will tour the [facility responsible](#) for the liquefaction of natural gas, which is loaded onto double-hulled ships and exported to markets abroad. TIPRO also continues to engage with policymakers at the state and federal level to stress the significant role that domestic oil and natural gas production plays in meeting growing energy demand here and abroad. The group is joined by state officials today in Corpus Christi. "As the largest producer of oil and natural gas in the United States, and home to the country's leading LNG exporter and a robust network of ports, Texas is uniquely positioned to supply the energy needed to meet growing global demand," said Ed Longenecker, President of TIPRO. "Energy security has never been more critical, and our policy decisions must reflect the need for regulatory certainty to support long-term investments in production and energy infrastructure," added Longenecker.

The rise in American energy independence culminated in the United States becoming a net exporter of natural gas in 2016, eventually [reaching](#) 11.2 billion cubic feet per day (bcf/d) in the first half of 2022. The Port of Corpus Christi alone [moved](#) a record 90.1 million tons of energy product in the first six months of this year, ranking it second largest in total LNG exports. Exports are [projected](#) to continue to grow due to increased global demand.

Texas remains the leading producer of natural gas in the U.S., producing roughly a quarter of the nation's natural gas. And production in the Lone Star State is helping to change the world by providing access to this foundational, low carbon fuel source. According to Texans for Natural Gas' [report on Texas LNG](#), the LNG leaving Corpus Christi's port emits 50 percent less CO2 than coal when used for power generation in countries like China, India, and Germany, and boasts a 143 percent lower flaring intensity than Russia, who typically supplies these countries.

Natural gas has accounted for almost one-third of total global energy demand and growth over the last decade, surpassing all other fuels. The increased demand for American natural gas has become more pronounced after President Biden promised additional shipments to allies abroad. Last year's pipeline completions in the Permian alone added an additional 2.1 bcf/d to Texas' capacity, but if the state is to continue supplying allies with much-needed natural gas, more pipelines must be built. Increased pipeline capacity would help the Basin continue to reduce its methane emissions intensity by quickly moving natural gas away from production areas to domestic customers and LNG facilities.

Cheniere is responding to the rise in global demand for LNG by expanding its Texas facility to add more than 10 million metric tons per year of capacity. With the investments Cheniere is making and robust infrastructure and pipeline growth to handle the increased production in Texas' Permian Basin, the United States can ship larger amounts of lower-carbon LNG across the world, addressing growing energy needs and helping to reduce emissions.

## **Joint Hearing on Implementation of Senate Bill 3**

On Tuesday, the House Committees on Energy Resources and State Affairs held a joint committee hearing at the Texas State Capitol to monitor the implementation of Senate Bill 3 directing state officials to prepare for, prevent, and respond to weather emergencies and power outages, which was passed by the Texas Legislature and signed by Governor Abbott in 2021 following Winter Storm Uri. Monitoring the agencies and programs under the Committee's jurisdiction and overseeing the implementation of Senate Bill 3 was an interim charge provided to both the House Committees on Energy Resources and State Affairs by House Speaker Dade Phelan.

The hearing opened by receiving invited testimony from Peter Lake, Chairman of the Public Utility Commission of Texas (PUC); Christi Craddick, Commissioner of the Railroad Commission of Texas (RRC); Nim Kidd, Chief of the Texas Division of Emergency Management (TDEM) and Chief of the Texas Energy Reliability Council (TERC); Brad Jones, Interim CEO of the Electric Reliability Council of Texas (ERCOT); and Tom Oney, Committee Director of the State Energy Plan Advisory Committee.

*Continued on Page 6*

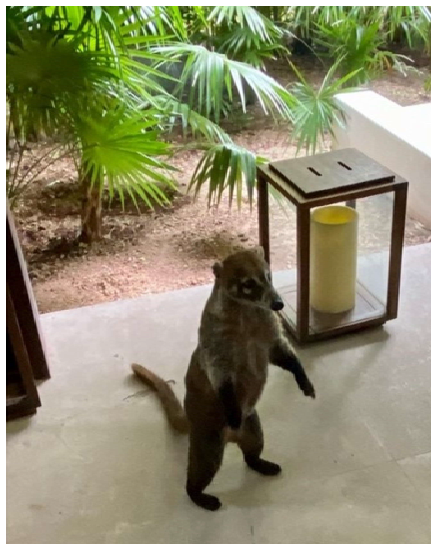
## Chairman's message

My wife and I spent some time in Mexico last week. We had a visitor every morning as we sat on our patio drinking coffee. He was a ring-tailed coati that we named "Ringo". Ringo would saunter onto our patio as he smelled fresh-brewed coffee and pastries and put on a show in hopes that we would feed him. As cute as he was, human food would not have been good for him and I am sure the resort would not have appreciated us feeding the wildlife.

Why do I mention Ringo? Because he reminds me of the policies and narrative being pushed against our industry right now. If electric vehicles (EVs) and renewables are superior to the domestic oil and natural gas we produce, why do they require so many subsidies? I am sure many of you read about what happened in California last week. After mandating that all passenger vehicles sold by 2035 must be EVs, the state had an embarrassing gaffe. They had to ask all Californians to conserve energy in order to avoid rolling blackouts. Their existing electrical grid could not handle the roughly 1 million EV's in service. There is a very expensive and unnecessary transition being forced as California attempts to service approximately 29 million EVs by 2045.



## Jud Walker



We have the solution and have had it for quite some time. Clean-burning, domestic natural gas is an environmentally-friendly and reliable fuel source for our growing electricity needs. Additionally, the modern internal combustion engine and the raw materials needed to build them are much less disruptive to the environment compared to EVs. As Europe and Asia have made poor choices pertaining to their energy mix and infrastructure, the U.S. has quantified decades of natural gas and oil reserves that can potentially solidify generational prosperity coupled with environmentally responsible production. Furthermore, Texas represents the most prolific accumulation of these reserves under the most progressive and fair regulatory regime in the country. However, this reality will slip from our grasp unless we insert ourselves into the policy making and social dialogue. Just like Ringo, there are laws being passed and agendas being pushed by people who don't know what is truly good for them.

TIPRO is at the forefront of that dialogue and educational process. We thank you for your input and help as we forge ahead with the best solutions for our state and country.


Thank you for your support and membership,  
Jud

## Coming to you Soon! TIPRO 2023 Membership Directory Listing

As we prepare for our TIPRO 2023 Membership Directory, where our association asks for members to review their information and submit any changes they wish to provide, TIPRO members should expect to receive their annual membership contact form in the mail by next week. We ask your help with confirming or updating this information to ensure our records are current and accurate. In addition to the information we publish in the directory, there is information we request for internal purposes that help us better manage your membership. Please provide as much detailed information as possible to help with these efforts.

This year you may also log into TIPRO's *New* membership portal at [www.tipro.wildapricot.org](http://www.tipro.wildapricot.org) to update your contact information online. We ask that you please review and confirm your contact listing **by Friday, October 14, 2022**.

*If TIPRO does not receive your updated form by the deadline date, we will consider the contact information on file as accurate and will publish it in the association's 2023 Membership Directory. Should you have any questions or if you did not receive your copy of the form, please contact Anjelica Torres at (512) 477-4452.*



# Taxes Independent Producers and Royalty Owners Association

1718 Commonwealth Blvd., Suite 1000, Austin, Texas 78701 Phone: (713) 242-7442 Fax: (713) 242-4444 Email: [info@tipro.com](mailto:info@tipro.com)

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## Annual Membership Contact Form

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**Section One: Provide your contact information**

Company:

First Name:

Last Name:

Company:

Address:

City:

State:

Zip:

Phone Number:

Fax:

Email:

Website:

☐ I am a company name and I am not an individual in connection with a company. I am a company or company + I/O.  
☐ I am an individual in connection with a company. I am an individual. Please enter the actual name of the company.  
☐ I check here if you [WISCONSIN](#) want your name or business information published in TIPRO's Membership Directory.  
☐ I check here if you [WISCONSIN](#) will be published in the Membership Directory of [WISCONSIN](#) wants to publish your email address.

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**Section Two: Questions:**

**Please explain the following questions. This information is for TIPRO's internal records and is kept confidential.**

What is your professional title?

Please provide your company's independent, relevant, and correct name:

Would you like to be contacted to advance information for TIPRO's publications? ☐ Yes ☐ No

Would you like to receive TIPRO's Information Library in Industry Leadership List? ☐ Yes ☐ No

Please indicate your industry: ☐ Industry ☐ Producer/Owner ☐ Royalty Owner ☐ Service/Sales ☐ Bankers

☐ Attorney ☐ Insurance/Broker/Investor ☐ Other (Please specify)

What other groups are you currently associated with? Check all that may apply to you in terms of reaching your peers:

☐ General Taxes ☐ Estate Taxes ☐ North Texas ☐ Publishers ☐ Pension Funds ☐ South Texas ☐ Texas

If you would like to participate in any of TIPRO's committees or panels, please check the following which are interested in you:

☐ State Tax Committee ☐ Legal Committee ☐ Public Policy Committee ☐ Young Leaders in Energy

☐ Women Tax Council ☐ Regulation Tax Force

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☐ State

## TIPRO CALENDAR OF EVENTS

**SEPTEMBER 20, 2022**

HOUSTON — TIPRO/IPAA/HPF  
“Leaders in Industry” Luncheon.

For information, email

[info@houstonproducersforum.org](mailto:info@houstonproducersforum.org)

**OCTOBER 18, 2022**

HOUSTON — TIPRO/IPAA/HPF  
“Leaders in Industry” Luncheon.

For information, email

[info@houstonproducersforum.org](mailto:info@houstonproducersforum.org).

NOVEMBER 15, 2022

HOUSTON — TIPRO/IPAA/HPF  
“Leaders in Industry” Luncheon.

For information, email

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## ERCOT names new CEO to lead state power grid operator

Pablo Vegas has been selected to serve as the president and CEO of the Electric Reliability Council of Texas (ERCOT), the ERCOT Board of Directors announced in mid-August. Vegas, who currently resides in Ohio, for the past six years has been a senior leader of NiSource, an Indiana-based natural gas and electric utility company.

"In Pablo, we've found a leader for ERCOT with deep experience at one of the nation's largest regulated utilities, who brings a strong record of operational excellence managing system growth with a diverse and rapidly evolving energy mix. He clearly understands the challenges we face in Texas as one of the fastest growing and most dynamic energy grids in the United States, and how to meet them," said ERCOT Board Chair Paul Foster. "ERCOT has implemented landmark reliability reforms under the outstanding leadership of Interim CEO Brad Jones, and Pablo will put his own extensive background in operations, engineering and customer service to work building on that legacy for the people of Texas."



Vegas' selection follows an exhaustive nationwide search by the Board's selection committee and was also approved by the Public Utility Commission of Texas (PUC) as required under Texas law. ERCOT's interim leader, Brad Jones, meanwhile will continue to serve in the leadership capacity until October 1, when Vegas will assume the role as CEO full-time.

"Texas is the fastest growing electric grid in the nation with peak demand larger than any other state, and leads the nation in advancing reliable resources," commented Vegas. "Texas leaders have faced the challenges in the ongoing energy transition head-on and are committed to driving improvements in the energy economy for the benefit of generations to come. This is a once-in-a-lifetime opportunity to lead an exceptional organization of people and make a positive impact on millions of Texans."

ERCOT, Texas' main power grid operator, has continued to undergo significant transformation since the powerful Winter Storm Uri impacted the state in February 2021. After the devastating arctic system slammed into Texas and caused widespread blackouts, state lawmakers have acted to enforce reforms that will help to avoid grid disruptions in future emergencies. ERCOT also is in the midst of a Sunset review by the state legislature. ERCOT is currently in Phase 1 of the Sunset Review process and a self-evaluation report has been submitted by the council to the Sunset Advisory Commission. The Sunset Commission is scheduled to hear public testimony on ERCOT at an open meeting on December 6th in Austin. The Sunset Commission is then expected to report decisions and recommendations concerning ERCOT at a public meeting on January 11, 2023.

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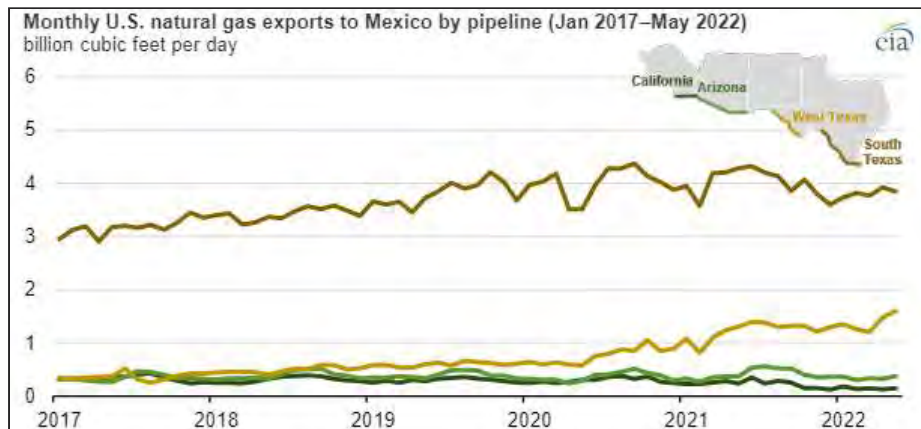
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## West Texas Reaches Record Exports of Natural Gas



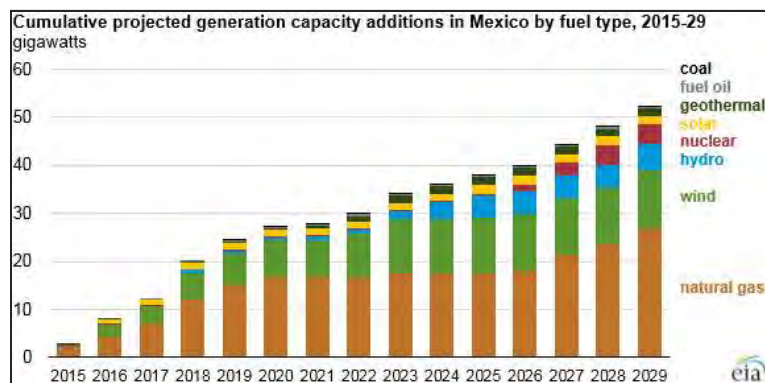
West Texas reached a [record level](#) of natural gas pipeline exports to Mexico in May 2022 and will continue to move rising production through the state for further exports as liquefied natural gas. All of that natural gas flowing south of the border demonstrates the growing flow of energy from the Permian Basin to immediate and distant allies through pipeline development meant to capture West Texas' abundant oil and gas.



West Texas pipeline exports to Mexico have been steadily increasing since 2019, reaching their May high of 1.6 billion cubic feet per day (bcf/d). The year over year increase is in part due to pipeline capacity growing more than 1 bcf/d since 2019 as more connecting pipelines in Central and Southwest Mexico have been placed in service, [according](#) to the U.S. Energy Information Agency.

U.S. natural gas exports from West Texas in the first five months of the year increased 12 percent compared to 2021. This surge in volume was [absorbed](#) by the Wahajalara and Samalayuca-Sásabe pipeline systems – the Wahajalara system delivered Texas natural gas through the Waha Hub in West Texas to Guadalajara, Mexico's second largest city, and other population centers in West-Central Mexico, and the Samalayuca-Sásabe pipeline [increased](#) capacity on the existing San Isidro-Samalayuca pipeline system in northwest Mexico which accounted for one-third of West Texas's 2021 exports.

The growth in pipeline capacity has allowed more West Texas natural gas to support Mexico's growing energy needs. Natural gas [accounts](#) for 65 percent of Mexico's total electricity generation and additional natural gas plants are [projected](#) to be completed through 2029. Officials [predict](#) that "the development of electric power capacity... will continue being based predominantly around the use of natural gas," as the country gradually integrates renewables.



Even as Mexico [increases](#) domestic natural gas production, West Texas's Permian Basin will continue to complement their resources by ensuring a reliable energy supply for the country and by moving excess capacity from the Permian across Texas through pipelines bound for liquefaction facilities that produce liquefied natural gas for global exports. Four new natural gas projects were recently [announced](#) that will drastically increase takeaway capacity, and several companies have announced plans to expand existing capacity. These projects will increase takeaway capacity by 4.12 bcf/d in order to meet the projected 3.7 bcf/d production increase in the Permian basin by 2024. [Source](#)

The increased takeaway capacity is necessary to support the growing demand for American energy resources in the face of hostile energy policies and an ongoing global energy crisis. West Texas energy will support nations in Europe and [Asia](#) trying to [diversify](#) energy resources away from Russian imports over the next few years and meet the Biden Administration's [goal](#) to support allies abroad with American energy. By confirming increased investment in U.S. LNG, the expansion projects are market fears with certainty that Texas resources will be able to satisfy future demand.

West Texas' export future is bright, satisfying energy demands of neighbors and countries across the world. Rising production and infrastructure projects will ensure that gas from the Permian continues to flow and meet energy needs at home and abroad.

## Joint Hearing on Implementation of Senate Bill 3 ... continued from page 1

Chairman Peter Lake opened the panel and provided an overview of the implementation of Senate Bill 3 from the standpoint of the PUC. He noted that coordination with the RRC in identifying and mapping critical natural gas supply to avoid blackouts has and will help to mitigate power loss during severe weather emergencies. "Reliability reforms are working," said Lake. The PUC moved from a crisis-based model to a reliability-based model following the passage of Senate Bill 3. This model shift has resulted in more generation and therefore more reliability as evidenced by the strength of the grid during the recent summer that saw some of the hottest days and greatest energy demand in Texas history. PUC winterization efforts are still underway.

Commissioner Christi Craddick, one of three commissioners responsible for regulating oil and natural gas in the state, provided an update on the RRC's implementation of Senate Bill 3 and agency efforts to mitigate future extreme weather emergencies. Craddick began with the agency's adoption of new curtailment standards in response to Winter Storm Uri that prioritized firm contracts for gas to human needs related endpoints and electric generation facilities. She also discussed the adoption of the Critical Infrastructure Designation rule (Statewide Rule 3.65), the Weather Emergency Preparedness Standards rule (Statewide Rule 3.66), the creation of the Critical Infrastructure division within the agency and hiring one hundred new employees to oversee that division. Commissioner Craddick noted that the commissioners recently voted to reopen and are accepting public comments on amendments to Rule 3.65 to help marginal producers, which should be complete by the first part of November. The commissioner concluded her comments by saying that she does "not see any additional changes needed legislatively."

Chief Nim Kidd began by stating the purpose of the TERC, "to ensure that the energy and electric industries in this state meet high priority human needs and address critical infrastructure concerns, and enhance coordination and communication in the energy and electric industries in this state." Kidd outlined the work of TERC workgroups and committees and discussed the council's meeting schedule. The Chief emphasized that, per Senate Bill 3, the council is required to submit to the legislature a report on the reliability and stability of the state's electricity supply chain inclusive of recommendations on methods to strengthen the electricity supply chain and to decrease the frequency of extended power outages caused by a disaster. This report, he noted, would be complete in 48 days, but concluded that he believes there is still a lot of work to be done.

Brad Jones opened his remarks by stating that he believes generation and transmission weatherization efforts have worked and that ERCOT has changed the way their system operates for the better, operating more conservatively and reliably. ERCOT has increased generation and has more reserves online than in the past. There have been eight recent events where if the new operations style had not been implemented, Texas would have faced energy emergency situations. As part of the new system, ERCOT has been calling for conservation and taking action earlier, which has equated to an average energy savings of seven-hundred megawatts simply by requesting customers turn the thermostat up a couple of degrees. Jones noted that communication has been key. Open lines of discourse with TDEM, TERC, RRC, PUC, TxDOT and others has allowed for a collaborative effort, never seen before, that has been invaluable during serious weather events. In July, Texas saw a peak demand of 80,000 megawatts, as much as all of California and New York combined and ERCOT maintained power. Jones concluded by noting his goals for ERCOT: to ensure available power, meet customer needs, and restore trust in ERCOT. Jones, the current interim CEO of ERCOT, will assist in ERCOT's transition to the newly selected CEO, Pablo Vegas, who is expected to begin on Oct. 1st.

Finally, Tom Oney discussed the recently released comprehensive state energy plan that was required to be submitted to state officials by Senate Bill 3. He noted that State Energy Plan Advisory Committee was charged with evaluating barriers in the electricity and natural gas markets that prevent sound economic decisions; evaluating methods to improve the reliability, stability, and affordability of electric service in this state; and evaluating the electricity market structure and pricing mechanisms used in this state, including the ancillary services market and emergency response services. As part of this effort, the committee was tasked with providing recommendations for removing the barriers it had identified in the electricity and natural gas markets to improve electric service reliability, stability, and affordability. These recommendations collectively form the comprehensive state energy plan that can be viewed [here](#).

As outlined in our September 1st [Target newsletter](#), and in prior member communications, TIPRO has been heavily involved throughout the legislative and RRC rulemaking process with the passage and implementation of Senate Bill 3. This includes regular communication with Texas House and Senate members. As an example, TIPRO previously distributed a [summary one-pager of the report](#) by Texans for Natural Gas (a TIPRO Campaign) titled: *How Natural Gas Saved Texas During Winter Storm Uri and How Texas Prepared for the Next Big Storm*, to state elected officials, which outlined the steps taken by our members to prepare for extreme weather conditions, the challenges operators experienced during Winter Storm Uri, as well as how improved communication between agencies and the critical designation of natural gas facilities, as required in Senate Bill 3, have helped to strengthen the reliability of our electric grid. To view the report in its entirety, click [here](#). Our organization will remain engaged in related discussions throughout the interim, RRC rulemaking process, and during the 88th Texas Legislative Session.



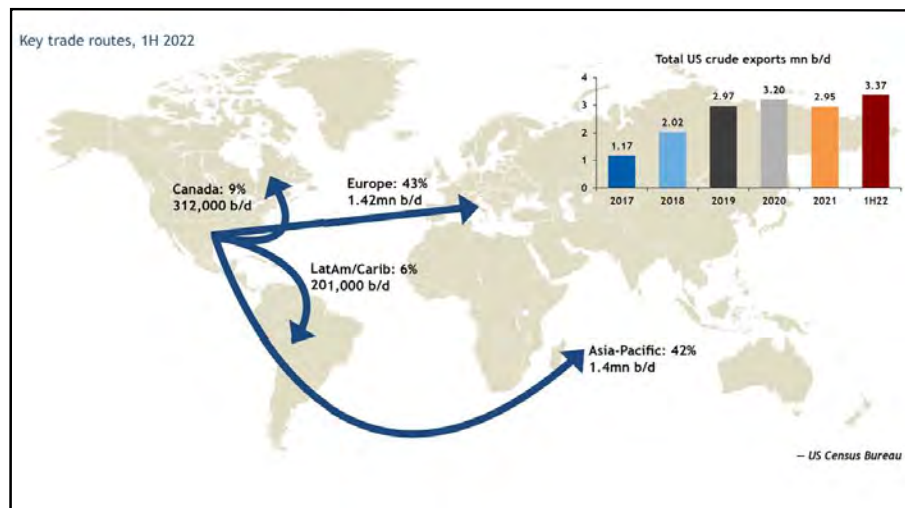
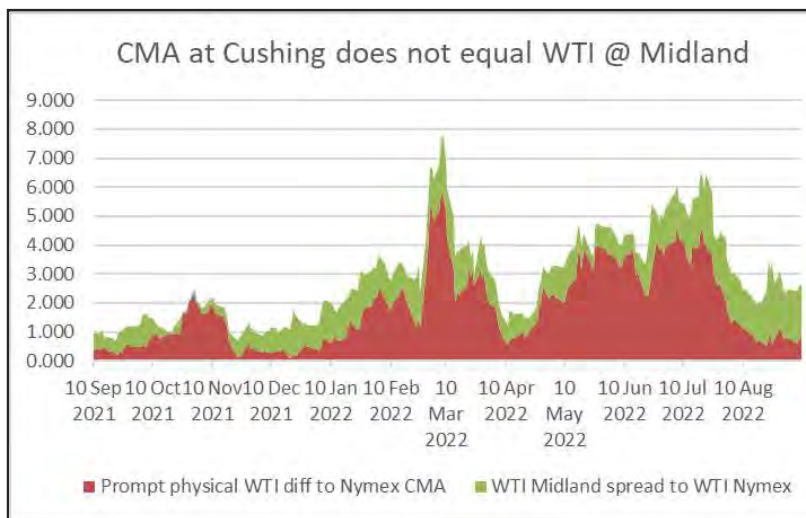


## A Texan view of erratic crude prices and historic US exports - Article courtesy of Argus Media

For TIPRO members, there's a lot more to volatile oil prices than gets into the headlines.

Most are aware that outright prices for WTI crashed to negative levels in April 2020, were at \$122/bl as recently as early June, and now hover in mid-September at just above \$85/bl. But equally erratic – and sometimes overlooked – is the fluctuating premium of prompt to forward prices. This is a market factor that can have profound effects on the price Texas producers, marketers and transporters get for their oil or services.

The prompt premium structure – also known as backwardation – means that in the past year, the price of crude for prompt delivery at Cushing has had as much as a \$4/bl premium to the Nymex Calendar Month Average (CMA) futures price at Cushing. Many crude contracts have some version of CMA in them, but if the seller is taking CMA alone as the price for his or her crude, they could be leaving a lot of money on the table.



Another important factor in pricing Texas crude is the steady premium of the price for WTI at Midland over WTI at Cushing. The Midland price for WTI has been held above Cushing for several reasons, including: 1) export demand at Corpus Christi pulling crude from Midland, and 2) the strong bidding for barrels at Midland by companies that need to fill term capacity commitments on pipelines to the coast.

Altogether, the price premium for prompt-delivered price over the CMA, and the premium of Midland over Cushing, added to an average of \$2.87/bl in the year ended September 9, 2022. On some days this summer, this combined premium for prompt, Midland-delivered crude reached more than \$6/bl (see chart). This means that on some days, a prompt barrel of WTI at Midland could be sold for more than \$6/bl over the Nymex CMA.

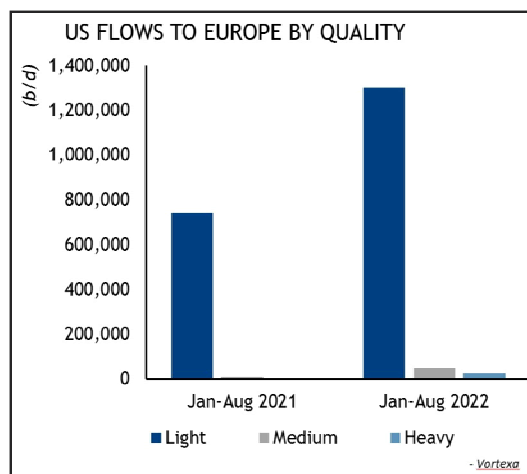
One market trend to keep a close eye on in coming months is the historically high rate of crude exports from the US Gulf coast, and the rising prominence of WTI as a global crude price setter.

Permian production of more than 5.3mn b/d is fueling US crude exports, and a larger percentage of the US crude is headed to Europe now that EU refiners are working to wean themselves off Russian crudes. Of the nearly 3.4mn b/d of US crude exports in the first half of this year, about 1.4mn b/d went to Europe as depicted in the map above. And most of the crude going to Europe was light crude, including WTI (see chart).

This European demand for WTI should help to support flows of Permian basin crude to Corpus Christi, Houston and other Gulf coast ports. And it should accentuate the influence of WTI in setting the global price for light sweet crude. In fact, from June of 2023, WTI cargoes are set to be included in the basket of crude grades setting the Dated Brent price in the North Sea. Argus analysis shows that WTI would have set the Dated Brent price on nearly 60pc of the days from early 2019 if it had been added to the Brent basket.

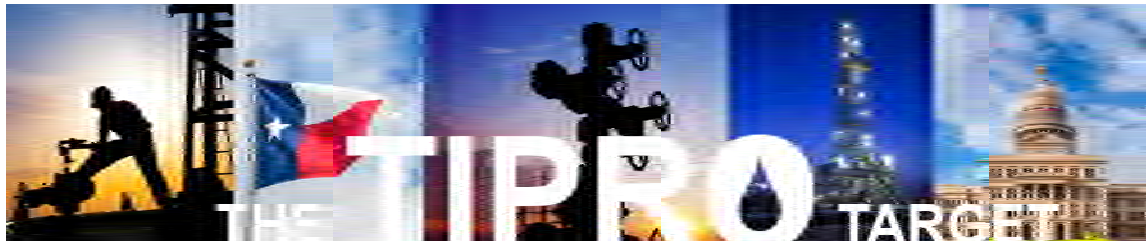
All of these historic changes in trade flows, the premium or discount of prompt crude, and the structure of key pricing benchmarks mean that Texas producers need to keep a discerning eye on markets. Shifting market trends from Rotterdam and Singapore to Corpus Christi, Cushing and Crane will profoundly shape the price of Texas crude in the days and years ahead.

Argus is an international commodities price reporting agency whose published prices are used in long-term contracts, taxes, royalties, revenue projections and as settlement prices for financial contracts. The prices used to settle the CME and ICE financial contracts for WTI at Midland and Houston are Argus Prices. Argus also has a consulting team who do market studies and price projections





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